

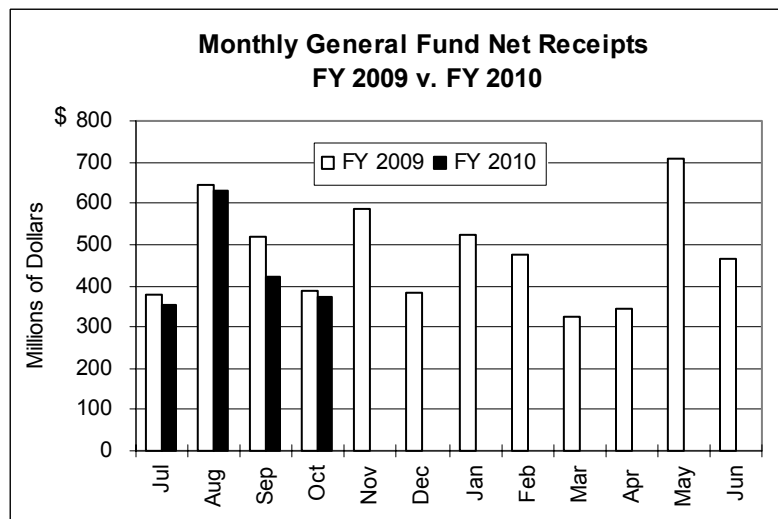
TO: Members of the Iowa Senate and  
Members of the Iowa House of Representatives

FROM: Jeff Robinson and Shawn Snyder

DATE: November 2, 2009

### Monthly General Fund Receipts through October 31, 2009

The attached spreadsheet presents FY 2010 General Fund total net receipts with comparable figures for actual FY 2009. The figures can be compared to the FY 2010 estimate of \$5.297 billion set by the Revenue Estimating Conference (REC) on October 7, 2009. The FY 2010 estimate is a decrease of \$452.3 million (- 7.9%) compared to actual FY 2009 total net receipts (numbers and calculations exclude transfer revenue). The next REC meeting has not been scheduled.



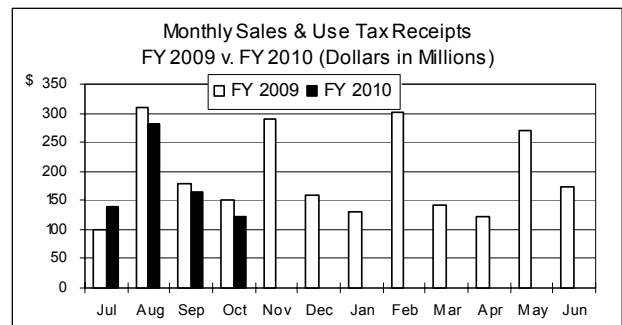
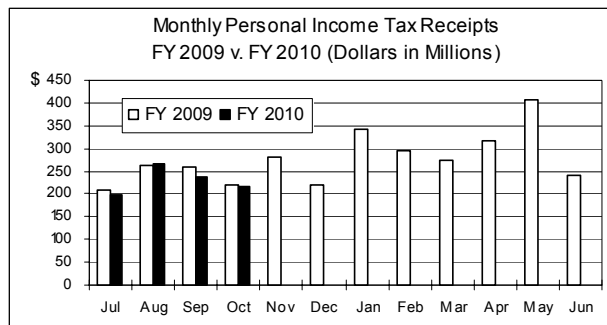
### FY 2010 Compared to FY 2009

Year-to-date FY 2010 total net receipts (excluding transfers) decreased \$151.4 million (- 7.8%) compared to FY 2009. Major sources and their contribution to the FY 2010 change include:

- Personal income tax (negative \$38.7 million, - 4.1%)
- Sales/use tax (negative \$28.5 million, - 3.9%)
- Corporate tax (negative \$19.9 million, - 16.9%)
- Other taxes (negative \$23.7 million, - 12.8%)
- Other receipts (unchanged)
- Tax refunds not including school infrastructure refunds (negative \$2.0 million)
- School infrastructure sales/use tax refunds (negative \$38.5 million)

**Personal Income Tax** revenues received in October totaled \$215.9 million, a decrease of \$4.7 million (- 2.1%) compared to October 2008.

The FY 2010 REC income tax estimate of \$3.208 billion represents a projected change of negative 3.7% compared to actual FY 2009. Through October, total income tax receipts decreased 4.1%. By subcategory, withholding payments increased \$5.6 million (0.7%) year-to-date, estimate payments decreased by \$33.1 million (- 24.0%), and payments with returns decreased \$11.2 million (- 31.7%). The following chart compares FY 2010 monthly income tax receipts from the three personal income tax subcategories with FY 2009.



**Sales/Use Tax** receipts received in October totaled \$122.9 million, a decrease of \$27.3 million (- 18.2%) compared to October 2008. October 31, 2009, fell on a weekend, while October 31, 2008, was a Friday. This calendar event pushed \$12.0 to \$15.0 million of receipts from October 2009 into November 2009 and it explains one-half of the significant sales/use tax drop experienced in October of this year.

The REC estimate for FY 2010 Sales/Use Tax receipts is \$2.255 billion, a decrease of 3.1% compared to actual FY 2009. Through October, total gross sales/use tax receipts have decreased 3.9%. The preceding chart compares FY 2010 monthly sales/use tax receipts with FY 2009.

**Corporate Tax** receipts received in October totaled \$28.3 million, an increase of \$6.6 million (30.4%) compared to October 2008.

The REC estimate for FY 2010 corporate tax revenue is \$316.2 million, a decrease of 24.1% compared to actual FY 2009. Cash fiscal year-to-date total corporate tax revenue has decreased 16.9%.

**Other tax receipts** received in October totaled \$30.8 million, a decrease of \$6.4 million (- 17.2%) compared to October 2008. Franchise tax and cigarette tax both decreased significantly for the month.

The REC estimate for FY 2010 other tax revenue is \$443.7 million, a decrease of 2.5% compared to actual FY 2009. Through October, other tax revenue decreased 12.8%.

**Other receipts** (non-tax receipts) received in October totaled \$40.5 million, an increase of \$12.2 million (43.1%) compared to October 2008. The large increase was the result of an increase in the maximum amount of gambling revenue to be deposited to the General Fund from \$60.0 million per year to \$66.0 million, along with a significant jump in the monthly transfer of liquor profits.

The REC estimate for FY 2010 other receipts revenue is \$370.4 million, a decrease of 5.5% compared to actual FY 2009. Cash fiscal year-to-date total other receipts are unchanged through October.

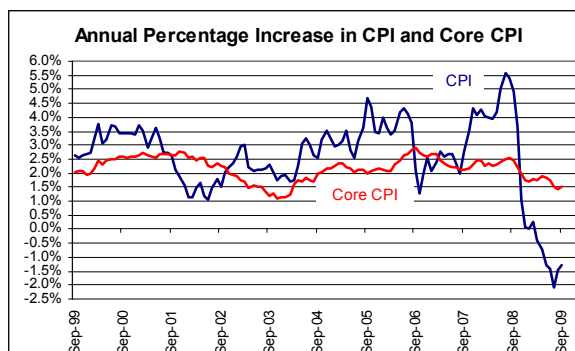
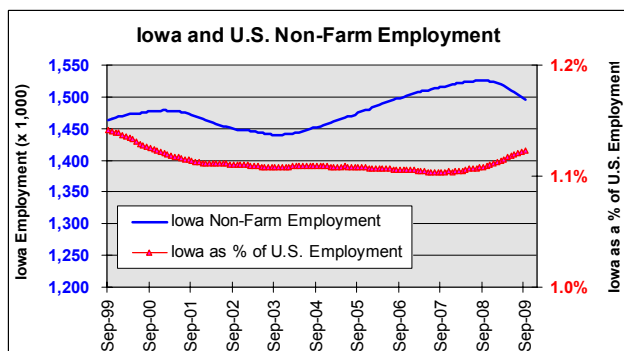
**Tax Refunds** issued in October totaled \$33.1 million, a decrease of \$10.5 million (- 24.1%) compared to October 2008. Corporate tax refunds were down \$10.1 million for the month. The REC estimate for FY 2010 regular tax refunds is \$891.3 million, an increase of 10.9% compared to FY 2009. Cash fiscal year-to-date regular tax refunds have increased 1.4%.

In addition, school infrastructure refunds totaled \$30.0 million in October, an increase of \$1.2 million (4.2%) compared to October 2008. For the cash fiscal year, school infrastructure refunds have increased 44.5%, mostly due to timing of the refunds.

## Status of the Economy

Iowa non-farm employment was reported at 1,487,400 for the month of September (not seasonally adjusted), 43,500 lower (- 2.8%) than September 2008.

Iowa's 12-month average employment is presented in a graph below. The 12-month average peaked in October 2008 at 1,525,400, 46,100 jobs above the January 2001 pre-recession peak. The current 12-month average reading is now 1,495,300 so annual average Iowa non-farm employment is 30,100 below the October 2008 peak. During the previous recession, the 12-month average declined 38,800 jobs, peak to trough. The employment chart also presents Iowa non-farm employment as a percent of U.S. non-farm employment. Iowa's share of U.S. non-farm employment decreased noticeably from 1999 through 2002. The decline continued at a much slower pace from 2002 through 2007. Iowa's share of U.S. non-farm employment has been expanding since January 2008, as the rate of economic decline nationally has exceeded the rate of decline in Iowa.



Consumer prices Increased 0.1% in September (not seasonally adjusted). The Consumer Price Index (CPI-U) through September 2009 was 215.969 (1983/84=100). The annual rate of inflation peaked at 5.6% in July 2008 and decreased rapidly in the following months. The annual rate now stands at negative 1.3%, the seventh consecutive month the annual rate calculation has been negative.

Core CPI, an inflation measure excluding food and energy expenditures, increased 0.2% for the month of September and stands at 1.5%, year-over-year. The core inflation rate declined considerably from the early 1990s through January 2004 when the rate bottomed at 1.1%. The core inflation rate accelerated from that point, with most readings between 2.0% and 3.0%. With the onset of the recent recession, the annual core inflation rate has declined and has now been below 2.0% for ten consecutive months. For the two components excluded from the core rate, energy prices are down 21.6% year-over-year while food prices are down a small fraction of a percent. This is the lowest level of reported food price inflation since at least 1968.

Information related to State General Fund receipts is available on the Fiscal Services Division's web site at: <http://www.legis.state.ia.us/receipts/daily.html>

GENERAL FUND RECEIPTS - FY 2009 vs. FY 2010 July 1 through October 31 (in millions of dollars) Dollars may not add due to rounding. Percentages Calculated on Rounded Numbers					ESTIMATED GENERAL FUND RECEIPTS (in millions of dollars) FY 09 Actual Compared to FY 10 REC Estimate		
	FY 2009	FY 2010	Year to Date % Change	October % Change	Actual FY 2009	Estimate FY 2010	Projected % Change
Personal Income Tax	\$ 954.0	\$ 915.3	-4.1%	-2.1%	\$ 3,330.7	\$ 3,208.0	-3.7%
Sales/Use Tax	738.7	710.2	-3.9%	-18.2%	2,327.4	2,255.1	-3.1%
Corporate Income Tax	118.0	98.1	-16.9%	30.4%	416.5	316.2	-24.1%
Inheritance Tax	30.7	27.3	-11.1%	13.3%	75.4	67.9	-9.9%
Insurance Premium Tax	48.2	40.0	-17.0%	-100.0%	90.0	88.6	-1.6%
Cigarette Tax	81.4	71.6	-12.0%	-26.2%	215.8	213.6	-1.0%
Tobacco Tax	8.8	9.3	5.7%	-23.1%	23.0	23.7	3.0%
Beer Tax	5.5	5.5	0.0%	16.7%	14.7	14.9	1.4%
Franchise Tax	9.9	8.6	-13.1%	-54.1%	33.7	34.0	0.9%
Miscellaneous Tax	0.2	-1.3	-750.0%	100.0%	2.4	1.0	-58.3%
Total Special Taxes	\$ 1,995.4	\$ 1,884.5	-5.6%	-7.4%	\$ 6,529.6	\$ 6,223.0	-4.7%
Institutional Payments	5.0	5.0	0.0%	-18.2%	15.5	14.7	-5.2%
Liquor Profits	21.9	31.6	44.3%	86.4%	85.5	83.2	-2.7%
Interest	5.8	0.5	-91.4%	-81.3%	14.6	5.0	-65.8%
Fees	23.9	14.5	-39.3%	-40.0%	77.7	50.6	-34.9%
Judicial Revenue	26.5	31.1	17.4%	13.1%	98.8	114.0	15.4%
Miscellaneous Receipts	15.3	9.8	-35.9%	-4.2%	39.8	36.9	-7.3%
Racing and Gaming Receipts	60.1	66.0	9.8%	390.9%	60.0	66.0	10.0%
TOTAL GROSS RECEIPTS	\$ 2,153.8	\$ 2,042.9	-5.1%	-4.3%	\$ 6,921.5	\$ 6,593.4	-4.7%
Accrued Revenue-Net					17.2	-26.4	
Tax Refunds *	-138.3	-140.3	1.4%	-24.1%	-803.9	-891.3	10.9%
School Infrast. Refunds *	-86.5	-125.0	44.5%	4.2%	-385.8	-379.0	-1.8%
TOTAL NET RECEIPTS	\$ 1,929.0	\$ 1,777.6	-7.8%	-2.7%	\$ 5,749.0	\$ 5,296.7	-7.9%
* For FY 2009 and FY 2010 Year-to-Date, refunds are listed on a cash basis. For FY 2009 Actual and FY 2010 Estimate, refunds are listed on a fiscal year basis.							